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SENSITIVE

SA/INS FOR M.GOWER, C.SIM; TREASURY FOR S.CHUN; MCC FOR D.NASSIRY

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SUBJECT: TSUNAMI RELIEF CORRUPTION CHARGES BY AUDITOR GENERAL OVERSTATED

¶11. (SBU) Summary: On 7 September, Sri Lanka's Auditor General (AG) issued a report to the Parliament based on an audit of work done by various Government of Sri Lanka (GSL) agencies, as well as district and local government offices in response to the December 26 Indian Ocean Tsunami. The AG's report has been widely reported in the press as concluding that the process has been riddled with corruption. Post has reviewed the news articles as well as the AG's report and believes that it is largely accurate with regard to failures within the system, but that it inappropriately identifies those failures as corruption, when they should more accurately be termed either inefficiencies or deficiencies. End Summary

¶12. (U) Sri Lanka's Auditor General issued a report to parliament on September 7 that was highly critical of the Government's tsunami relief efforts to date (the period covered in the report was from December 26, 2004 to June 30, 2005). The scope of the report has several limitations; most notably it does not review directly the work of NGOs or other private sector organizations, which have been considerable. It outlines weaknesses in the pre-tsunami disaster preparedness and mitigation measures and offers broad-brush complaints about rescue and immediate relief efforts, gives an accounting of death and damages and chastises the Government for failing to set up the National Disaster Management Council (which the GSL has done in the last six months).

¶13. (U) With regard to its review of the distribution of relief efforts, the report finds:

--shortcomings in the clearance of goods from the sea port and airport (Note: Post has worked with several organizations to expedite clearance of tsunami relief items, or to obtain waivers of various charges assessed by the port. There were also clearance delays early in the process due to a dispute over clearance procedures between the Sri Lankan Navy and Sri Lankan Customs. End Note);
--weaknesses in the management of the receipt of aid material;
--poor fund management (while there are some examples of monies sent to various districts, but not properly accounted for, there are no direct accusations of embezzlement or other misdeeds);
--failure to sign MOUs with NGOs and private sector organizations;
--incorrect provision of relief rations;
--failure to make progress on home construction;
--incorrect distribution of relief payments;
--incorrect deployment of vehicles; and,
--contradictory/confusing Government decrees regarding tsunami relief rules.

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¶14. (SBU) Where the report fails repeatedly is to identify the source of many of these weaknesses and shortcomings. For example, there are clear reasons why permanent housing has not progressed further, most notably:

--the 100/200 meter coastal setback established by the GSL, but only marginally enforced;
--the failure on the part of the GSL to identify and allocate land outside this zone; and,
--the failure of the Government to provide NGO partners with lists of beneficiaries.

None of these is an example of corruption, but rather deficiencies in the system.

¶15. (U) The AG is appointed by the President from the independent Government of Sri Lanka (GSL) Auditor General's service according to seniority. The AG is a constitutionally-established position and reports to the Parliament. Parliament requested the tsunami audit. A group of 42 auditors from the AG department were assigned. This is an interim report and when financial statements of various GSL departments and ministries are released at the end of the year, the AG's office hopes to do a more comprehensive assessment. The auditors visited 12 of the 13 tsunami affected districts and reportedly went from house to house to inquire about relief distribution. An AG

department source said they did this work under severe constraints, as the government did not provide funds for the audit. The officers had to travel by bus and were given a very small per diem.

¶ 16. (U) Neither did the AG audit the Central Bank account. Usually all funds received by the GSL are deposited in the ?consolidated account? of the Government and are subject to AG audits. In this case, funds were deposited in a special account, created specifically for tsunami relief activities, in the Central Bank, and not subject to the AG's jurisdiction. In the next few weeks a few AG staff members will be helping a UN audit team to audit UN tsunami accounts. On October 4, the Public Accounts Committee of the Parliament will call various government officials and examine the interim audit report.

¶ 17. (SBU) Comment: Post has reviewed the various press accounts of the report and finds them largely sensational. While the report does articulate problems in the tsunami relief and reconstruction process, its allegations of corruption are loose and imprecise. We continue to pursue changes to GSL strategy and policy related to the process, particularly with regard to clearance of items into the country, registration of NGOs and rules governing the construction and placement of permanent housing. Recent implementation of the UN-sponsored Donor Assistance Database (DAD) through the Task Force for Rebuilding the Nation (TAFREN) should have a beneficial affect and assist donors and observers in keeping track of pledges, work and progress.
End Comment
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